



City of Little Rock

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To the Honorable Mayor Mark Stodola
and Members of the Little Rock City Board of Directors:

I respectfully submit the official Year 2010 Budget for the City of Little Rock that builds on the accomplishments and service improvement programs initiated last year. The economic downturn experienced in 2008 and 2009 has created significant challenges for the City. Overall expenditures total \$184,353,324, a decrease of (\$10,441,582), or 5.4% less than the 2009 Adopted Budget. The Operating Budget changes for the 2010 Year are summarized below:

City of Little Rock
Comparison of Budgets - FY09 to FY10

	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>% Change</u>
General Fund	\$131,149,375	\$137,449,966	(\$6,300,591)	-4.6%
Street Fund	15,098,542	14,682,504	416,038	2.8%
Fleet Services Fund	9,239,395	9,971,951	(732,556)	-7.3%
Waste Disposal Fund	16,644,928	18,665,210	(2,020,282)	-10.8%
River Market Fund	96,741	946,703	(849,962)	-89.8%
Zoo Fund	4,955,928	5,310,947	(355,019)	-6.7%
Vehicle Storage Facility Fund	1,334,800	1,499,361	(164,561)	-11.0%
Golf Fund	2,783,083	3,002,439	(219,356)	-7.3%
Jim Dailey Fitness & Aquatic Center Fund	1,137,411	1,198,084	(60,673)	-5.1%
Concessions Fund	0	114,052	(114,052)	-100.0%
Parking Garages	1,913,121	1,953,689	(40,568)	-2.1%
Total	<u>\$184,353,324</u>	<u>\$194,794,906</u>	<u>(\$10,441,582)</u>	<u>-5.4%</u>

The 2010 Operating Budget has been developed around common themes from the Mayor and Board of Directors policy and priority areas. These strategic priority areas include Public Safety, Economic Development, Infrastructure, Basic City Services, and Quality of Life Issues.

OVERVIEW

General Fund:

The General Fund 2010 Operating Budget includes several significant changes from the 2009 Operating Budget. The City continues to face significant challenges with stagnant or declining revenue in many areas due to the economic downturn. With the anticipated decline in general fund revenues, priority was given to maintaining the current level of core public safety staffing and services, resulting in decreased funding for outside agencies and other City programs. Staff was asked to prepare their departmental budget to an estimated target with a focus on maintaining 2009 service levels. The City conducted several public budget hearings to communicate the recommendations for utilization of the City's resources in a manner that maintains funding for the most critical services for our citizens and to obtain feedback on proposed reductions from 2009 funding levels. Together, City Staff met the challenge of adopting a balanced budget in an unpredictable economic environment without the utilization of reserves.

Sales Tax continues to be the leading revenue source for the City at approximately 48.2% of total general fund revenues. Sales taxes are composed of a one (1)-cent County tax and a one half-cent City tax on gross receipts, as well as a per-capita allocation of State Turnback funds. Actual sales tax revenues for 2009 were less than 2008 revenues by approximately 4.6%. The 2010 adopted sales tax revenue budget includes a projected decline of 5.4% from the 2009 original budget and a slight increase of 1% from the 2009 amended budget. Changes to the Arkansas Sales and Use Tax Law known as the "streamlined sales tax" took effect beginning January 1, 2008. Sales tax revenues are distributed based on where the purchaser takes receipt or delivery of the product or service. In addition, local tax caps on most single transactions are no longer applicable when City and County Sales and Use Taxes are collected. The local tax cap continues to apply to the first \$2,500 per item on the sale of motor vehicles, aircraft, watercraft, modular homes, manufactured homes, or mobile homes. Businesses, schools, governments and charitable organizations are able to recover the tax paid on single transactions over the previous cap amount through a rebate program. The program allows such tax payers a period of up to six (6) months from the date of the transaction in which to claim the rebate.

Franchise fees from local utilities comprise approximately 21.6% of general fund revenues. There have been no changes to franchise fee rates since 2008. Franchise fees from Entergy Corporation, the electric utility, are expected to remain fairly flat. Franchise fees from Centerpoint Entergy, the gas utility, are expected to be 12.9% less than the 2009 original budget and 5% below the amended 2009 budget due to lower natural gas prices. Franchise fees from telecommunication companies have continued to decline due to on-going

competition from wireless companies. Water and Waste Water fees are expected to increase by approximately 5% due to scheduled rate adjustments.

Property Tax revenues make up approximately 13.2% of general fund revenues. Little Rock recently received its Original Charge for 2009 Property Taxes to be collected in 2010. The Original Charge is approximately 1.46% over last year's value and represents the total amount assessed on real estate and personal property for the previous year. Property taxes have grown at an average rate of 5% in the last several years.

City Employees have demonstrated their dedication and professionalism by providing quality service to the citizens of Little Rock during a difficult economic downturn. The General Fund budget supports 1,471 full-time equivalent (FTE) positions, a net decrease of forty-two (42) FTEs compared to 2009 staffing levels. The City received an award under the *American Recovery and Reinvestment Act* COPS program for twenty (20) Police Officer positions. The 2010 Operating Budget expenditures include \$95,604,537 in personnel cost, a decrease of \$333,188 from 2009. No salary increases were included in the budget; however, step and grade adjustments for uniform personnel were included at 2009 contract rates. The City's union personnel agreed to defer scheduled contract increases until mid-year. During that period, the City's financial situation will be reviewed to determine whether there has been sufficient improvement in the economy to support a mid-year budget amendment to fund the scheduled 4% increases. Health insurance costs increased approximately 5%. Benefit changes approved by the State Legislature increased pension costs slightly for Fire and Police uniformed personnel. Pension costs increased from 15.53% to 15.58% of payroll for uniformed fire personnel and from 12.03% to 12.23% of payroll for uniformed police personnel. Pension costs for Court Clerks increased from 11% to 12.46%. Otherwise, there were no significant increases in the overall cost of benefits for City Employees. Vacant positions are budgeted at the mid-range salary for the position's grade, providing some budget flexibility in the recruiting process.

Fuel costs decreased significantly in 2009 from the extremely high prices experienced in 2008. The 2010 fuel budget is based on projected unleaded and diesel fuel per gallon prices averaging \$2.36 for the year, which is consistent with 2009 actual costs. The budget for fleet parts remained that same as the 2009 budget, which was very close to the actual expense for replacement parts. Over twenty (20) new police cars were put into service during 2009; however, an equal amount came out of warranty. No vehicle replacements have been budgeted for 2010.

The City's 2010 allocation for outside agency contributions decreased by approximately \$1.1 million compared with the 2009 budget. Of this decrease, \$911,427 is associated with the Central Arkansas Transit Authority (CATA) Bus and River Rail operations. Approximately half of the reduction is attributed to the

decline in fuel prices. The CATA Board approved the utilization of reserves to make up approximately \$500,000 in reduced funding in order to maintain the current bus routes for day, night and Sunday service. In addition, other outside agency support was decreased by approximately \$75,000 due to the overall reduction in revenues.

Staff elected to forego the issuance of short-term financing for capital projects in 2009 in order to reduce debt service requirements from 2010 through 2014 by approximately \$970,000 annually.

Funding of the Pulaski County Jail and the Faulkner County Jail was continued in order to provide space for prisoners in accordance with the City's primary focus on Public Safety.

A Homeless Services Task Force was established in 2006 to end Chronic Homelessness in our community. The current operating Day Resource Center is under contract for up to two (2) years with River City Ministry in North Little Rock. The services provided to homeless individuals and families are focused on finding housing, job referral, and case management services, medical, dental and psychiatric service. The City of North Little Rock has partnered with Little Rock to financially fund the Day Resource Center. In addition, both municipalities are working with the Mayor's Commission on Homelessness in Central Arkansas as part of the on-going process to address the needs of homeless individuals and families.

The City of Little Rock's Management Team will continue to manage the City in a sound and fiscally prudent manner while striving to deliver the quality and level of service that the citizens of Little Rock expect with available resources. The City is appropriating approximately \$2.5 million for children, youth and family programs in 2010 as part of City's emphasis to foster and enhance youth and community development. City Staff will continue to work with community groups, neighborhood associations, the faith-based community and other groups to ensure resources are targeted appropriately.

2009 Accomplishments

Little Rock Police Department: The Little Rock Police Department will achieve reaccreditation with the Commission on Accreditation for Law Enforcement Agencies in March of 2010 and will again be awarded flagship status for another three (3) years. This designation is afforded to premiere agencies and has established the Little Rock Police Department as a model for other agencies seeking accreditation. In addition, the department graduated a police recruit school with twenty-one (21) new Patrol Officers. The 3-1-1 System has greatly increased service deliveries to the citizens of Little Rock. A total of 125,150 requests for City services were made utilizing the 3-1-1 System.

Little Rock Fire Department: The Little Rock Fire Department continued to provide quality services, responding to more than 24,480 fire and emergency calls during 2009. In addition, the Department graduated a recruit school with twenty-seven (27) new Firefighters. Water rescue capabilities were upgraded with the purchase of a second water rescue boat and additional water rescue equipment. In addition, four (4) new fully outfitted Battalion Chief vehicles were placed into service. The Fire Department recently received an award of \$2,017,800 under *The American Recovery and Reinvestment Act of 2009* for construction of a new fire station in West Little Rock.

Public Works: In 2009, Public Works Staff painted 935,071 linear feet of street lane lines and installed 8,930 traffic signs which improve traffic safety thru increased visibility of traffic signs and markings. Public Works swept 33,236 curb miles of streets and removed 5,090 cubic yards of debris from City streets. Street sweeping removes seasonal debris and pollutants to reduce storm water contamination.

Fleet Services: The Fleet Services Department was recognized as one of the Top 100 Best Fleets in North America. The department developed a replacement policy allowing for timely replacement of vehicles and equipment as directed by Vision Little Rock's Top Twenty (20) Priorities.

Finance: The Finance Department obtained the Government Finance Officers Association (GFOA) Certification of Recognition for the 2009 Budget Presentation and the GFOA Certificate for Excellence in Financial Reporting for the 2008 Comprehensive Annual Financial Report. In addition, the Grants Division provided assistance to other departments and component units of the City in training, writing, obtaining, monitoring, and reporting on grant awards with special emphasis on *The American Recovery and Reinvestment Act of 2009*.

Parks & Recreation: In 2009, the Little Rock City Board of Directors approved the refinancing of the 1998 Parks and Recreation Revenue Bonds, which provided an additional \$6.8 million for system-wide parks and recreation upgrades, renovations, and acquisitions. The Department completed several projects such as the Vogel Schwartz Sculpture Park. Little Rock Parks and Recreation was responsible for maintaining over 6,000 acres of park land, with 650 acres intensively maintained for the pleasure and leisure of the citizens of Little Rock. Active and passive activities were made available to all age groups from all socio-economic backgrounds. Activities included sports, fitness, arts, crafts, dance, music, aquatics, and instructional classes, and other civic and social activities. The Little Rock Marathon experienced increased participation and revenue. The Therapeutic Recreation Staff hosted its Annual Therapeutic Recreation Carnival with over 1,200 participants across the state. The Department completed the implementation of Class Software which automated many functions formerly performed manually. Working in conjunction with the City Manager, Little Rock Parks and Recreation Commission and the Little Rock

City Board of Directors, the following key policies were implemented that will help serve to guide the department in future years: Asset Management and Disposition Policy for Parks and Recreation Land; the Smoke and Tobacco Free Policy; and the Little Rock Dog Park Safety Volunteer Program.

Information Technology: The Information Technology Department designed and implemented a mobile cellular data connection, utilizing NetMotion software for the City's mobile users to securely connect to the City's private network backbone from anywhere within the City limits. This technology allows mobile users to be more effective and efficient in delivering services to Little Rock citizens.

Human Resources: The Human Resources Department developed new merit pay procedures for the City and provided training for all supervisors. A flu shot cycle with over 1,000 doses was made available to all City Employees. The Department completed a request for proposal for new applicant tracking software and began implementation. In addition, a computer-based Fire Scenario Test Development and Administration system was researched and purchased for early 2010 Fire Department promotion activities. The system will allow for customization of both the scenarios and rating criteria, while providing a video based test product.

Planning & Development: The Planning & Development Department reviewed and processed approximately 250 requests for preliminary plats, planned developments, site plans, rezoning, conditional use permits and variances. The Department completed a review of the Master Street Plan. The resulting updated plan document was adopted by the Planning Commission and the Little Rock City Board of Directors. The Department issued 9,520 construction related permits, and the 2009 International Property Maintenance Code was adopted by the City Board of Directors. In addition, a review of the Central High Design Overlay District was completed and acted on by the Planning Commission and approved by the City Board of Directors.

Little Rock Zoo: The Little Rock Zoo increased attendance and revenue in 2009 by providing added amenities to guests and continuing an excellent level of customer service. The Zoo held the Winged Wonders Live Bird Show at the Civitan Amphitheater stage every day from April 4, 2009, through Labor Day. The show helped drive an increase of nearly 15,000 paid guests. The Zoo opened the African Veldt exhibit, improved horticulture, repaired sidewalks and made other improvements to animal care, exhibits and facilities. The Zoo will add an African Penguin habitat this fall and implement an upgraded education program, thanks to a generous donation from the Laura P. Nichols Foundation. In 2010, the Zoo plans to continue several bond-funded capital improvements and will work to maintain its accreditation and recognition as a first-class zoological institution.

Community Programs: The Community Programs Department met its priority to increase the number of partnerships and collaborations. Significant progress was made with these partnerships and collaborations in programs involving the Arkansas Cradle to Prison Initiative, Arkansas After-School Network, Little Rock School District, Division of Youth Services, and the Workforce Investment Board. The Summer Youth Employment program reached a ten (10)-year high of 800 participants.

Housing & Neighborhood Programs: The City acquired eight (8) properties to be included in the City of Little Rock Land Bank. Construction was completed for the Education Room and Veterinarian Clinic at the Little Rock Animal Village. New code modifications were implemented requiring mandatory sterilization and micro-chipping of cats that are allowed to roam outside. The policy is a major step in reducing pet over-population, and the ordinance stands as one of the most progressive cat ordinances in the nation.

Other Recent Accomplishments: I am pleased to report that while achieving quality service, the City has continued to manage finances conservatively. The City continues to maintain an AA bond rating.

Budget Policies and the Budget Process: The General Fund goal was to set aside the greater of \$10,000,000 or 10% of General Fund revenues in the Restricted Reserve on or before December 31, 2007; however, due to economic conditions in the past few years, the City has been unable to meet this goal. The restricted reserve is currently \$9,418,000.

2010 Goals

- In coordination with the Mayor and City Board, staff will have a major focus on *The American Recovery and Reinvestment Act of 2009*. Staff will constantly track, monitor, and report on grant and formula awards and will maintain a detailed tracking system on the City's web site, www.littlerock.org.
- Continue to improve and expand the Little Rock Police Department and Little Rock Fire Department to ensure adequate staffing levels. COPS stimulus funding provides for the hiring of twenty (20) Police Officers.
- Continue development and construction of the Mid-Town Police Patrol Facility.
- Begin development and construction of the west Little Rock Fire Station with funding awarded under *The American Reinvestment and Recovery Act of 2009*.
- Continue funding to the Pulaski County Regional Detention Facility to ensure a minimum of 880 beds.
- Continue funding to Faulkner County Regional Detention Center for thirty (30) beds for a full year.

- Continue funding for the Homeless Coordination Program, and identify a location for the Homeless Day Resource Center.
- Provide \$2.5 million in funding for Children, Youth, and Family and Prevention, Intervention, and Treatment programs.

Economic Outlook

The primary challenge facing the City of Little Rock remains providing a full complement of services that satisfy the needs of citizens in the midst of a volatile economic climate.

National unemployment for 2009 was 9.3%, the highest U.S. unemployment rate since 1983. The City's annual unemployment is estimated at approximately 6%. Little Rock remains a vital employment center, accounting for 53% of all jobs (by place of work) in the Little Rock-North Little Rock metropolitan areas. A large component of the City's workforce is in the areas of health care, education and public administration. These sectors are less vulnerable to national employment trends.

Little Rock's housing markets have felt the boom-bust cycle of recent years, but have been less severely affected than the U.S. average. Recent building permit trends show that total housing permits in 2009 were slightly above 2008. Based on national indicators, housing markets will probably begin to recover in 2010, but the pace will not be as fast as in previous growth periods.

The City's long-term outlook remains bright. Most indicators continue showing competitive advantages in the local metropolitan area. Job losses in some sectors have been balanced, even in recession, by gains in areas with future potential.

The City in partnership with the Little Rock Regional Chamber of Commerce will look to identify economic development opportunities that result in the expansion, retention or start-up of businesses that create jobs and generate sales tax, property tax or other forms of revenue for the city.

In 2009, Little Rock had the seventh strongest metropolitan economy in the country according to the Brookings Institution, which stated that despite the protracted recession, the Little Rock metropolitan area has been bolstered by a relatively low unemployment rate and a strong housing market. Local unemployment remains below state and national averages.

The Manpower Employment Outlook Survey released March 10, 2009, listed the employment outlook for the Little Rock – North Little Rock – Conway area in the top ten (10) in the nation. *Forbes Magazine* recently listed Little Rock as among the top twenty-five (25) housing markets in the country. In addition, *Forbes*

ranked Little Rock 21st out of 150 metropolitan areas on its list of the best places in America for business and careers. The ranking was based on income, job growth and cost of doing business, as well as labor, crime rates, housing costs, and net migration.

Non-residential construction in Little Rock during 2009 represented a large number and wide variety of projects. Larger projects include industrial investments by Superrmarine, and a \$115 million addition to Arkansas Children's Hospital. Progress is continuing on the redevelopment of the old University Mall into Park Avenue, a mixed-use project involving retail, residential and office buildings. Preliminary site work is underway for a new Target store to open in October 2010. Target's plan to locate in Park Avenue is an example of renewed strength in the Little Rock core retail market and advances the redevelopment effort for the University Avenue corridor. Target has chosen the Park Avenue site as one of only twelve (12) stores scheduled to open in 2010. A resurgence of planning and development is also underway along the 12th Street corridor.

New Capital investment expansion announcements over the past year include Welspun (\$60 million), Cameron Valves & Measurement (\$31 million, 50 new jobs), Southwest Power Pool (124 new jobs, \$9 million new payroll) and Mainstream Technologies (30 new jobs). Other projects announced, in progress or completed during the year include Baldwin & Shell Construction Company (\$4.5 - \$5 million) and the Holiday Inn Airport Conference Center.

On December 31, 2009, St. Vincent Health System announced the addition of a twenty-three (23) bed rehabilitation center in west Little Rock. Most recently, on February 26, 2010, Southwest Power Pool announced plans for a new \$62 million facility in west Little Rock that will contain a 150,000 square foot office building and a 33,000 square foot operations and data center.

Closing: This budget is the financial and operating plan for the City of Little Rock for 2010. The appropriations included provide for quality municipal services.

I want to recognize the many members of our City Staff that are actively serving in our nation's military and acknowledge the additional hours and duties the Department Staff may be undertaking in their absence. To all of you, thank you for your service.

The City of Little Rock has made great strides in the utilization of technology to communicate with local citizens and businesses. The City's website, www.littlerock.org, is among the best and will continue to improve communication efforts. In addition, the City is proud of our local access channel LRTV, which broadcasts information regarding the activities of the Little Rock City Board of

Directors through live and taped coverage of City Board Meetings and other official proceedings; and produces programming regarding municipal affairs.

The City has seen great progress over the past years with more to come in 2010 and beyond as the Mayor, City Board of Directors and City Staff continue to offer vital services to the citizens of Little Rock.

Respectively submitted,



Bruce T. Moore
City Manager